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A. Fogarty

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DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D. C. 20548**

FILE: B-191069

DATE: February 9, 1978

MATTER OF: H & L Auto Service, Inc.

DIGEST:

1. Purchaser whose bid price was substantially higher than two next high bids and current market appraisal, especially where there is comparatively narrow range among lower bids and current market appraisal, may have sales contract rescinded since contracting officer was on constructive notice of possibility of mistake in bid because of wide price variation which is not normally encountered in sale of scrap, and should have requested verification of bid before acceptance.
2. Where mistake in bid on item in surplus sales contract was alleged after award, and bid for item contained a discrepancy between the unit price and total price, contracting officer knew or should have known of the mistake and should have requested verification before award. GAO will not object to administrative recommendation to rescind the contract.

The Defense Logistics Agency has recommended to our Office that Sales Contract No. 27-7292-116, awarded to H & L Auto Service, Inc. (H & L Auto), on Item 137 of Sale No. 27-7292, be rescinded.

Item 137 consists of 100,000 pounds of scrap lead batteries. The current market appraisal for Item 137 was \$.08 per pound. The unit price bid should have been based on price per pound, and extended to the total quantity of 100,000 pounds. H & L Auto's bid was as follows:

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"Item No.	Unit Price Bid	Total Price Bid
137	100 pcwt	\$12,500"

The other bids received were as follows:

"Item No.	Unit Price Bid (lb.)	Total Price Bid
137	.0821	\$8,210.00
137	.0805	\$8,050.00
137	.0666	\$6,660.00"

The sales contracting officer (SCO) interpreted H & L Auto's bid as \$100 per hundredweight (cwt) or \$.125 per pound. It is not clear how the unit price of \$.125 per pound was arrived at by the SCO, other than by extrapolating the price per pound from H & L Auto's total bid price of \$12,500, since \$100 per cwt does not equal \$.125 per pound, nor does it equal \$12,500 when properly extended for the total quantity.

On August 23, 1977, H & L Auto was awarded the purchase contract at a unit price of \$.125 per pound and a total price of \$12,500. On August 29, 1977, H & L Auto notified the Defense Property Disposal Region Office that it had made an error when submitting its bid for the scrap. H & L Auto alleged that it had meant to bid \$1,250 instead of \$12,500 as its total price and that a secretary had erroneously inserted the figure of \$100 per cwt as the unit price.

Where a mistake in bid is alleged on the sale of Government scrap, and where there are substantial disparities between the high bid and the next high bid, and the high bid and the current market appraisal, and especially where there is also a comparatively narrow range among the lower bids, the sales contracting officer is on constructive notice of a possible mistake in the high bid and should request verification of the bid prior to award.

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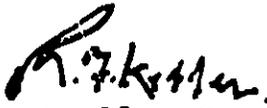
J. Paraldo Sons, Inc., B-184620, November 11, 1975, 75-2 CPD 294; Sitkin Smelting and Refining, Inc., B-182334, December 16, 1974, 74-2 CPD 348. One of the reasons for this rule is that " * * * wide price variations normally are not encountered in the sale of scrap * * * because of the established market for this material and the limited uses to which it may be put." 49 Comp. Gen. 199, 202 (1969).

We have also held that a discrepancy or inconsistency between the unit price and the total price puts the contracting officer on notice of a mistake at the time the bid was accepted and a valid and binding contract does not come into existence. Clarence L. Stevenson, B-183710, June 30, 1975, 75-1 CPD 405; Harvey Clark, B-183754, June 9, 1975, 75-1 CPD 350.

In the instant case, the disparity among the next two high bids and the current market appraisal was only \$.0021, a very narrow range. H & L Auto's bid was more than 53 percent above this narrow range. In view thereof, and since there was also a substantial discrepancy between H & L Auto's unit and extended bids, we conclude that under the facts of this case the contracting officer was on constructive notice of mistake in H & L Auto's bid.

Accordingly, Sales Contract No. 27-7292-116 may be rescinded without liability to H & L Auto as administratively recommended.

Deputy


Comptroller General
of the United States